

Green Financing Framework 2021





Contents

1.0 Introduction to the Issuer	2
1.1 About Hitachi Capital (UK) PLC	2
1.2 Hitachi Capital (UK) sustainability strategy	2
1.3 Rationale for green financing	4
2.0 Green Financing Framework	4
2.1 Use of proceeds.....	5
2.2 Process for project evaluation and selection.....	5
2.3 Management of proceeds	5
2.4 Reporting	6
2.5 External review	6

1.0 Introduction to the Issuer

1.1 About Hitachi Capital (UK) PLC

Hitachi Capital (UK) PLC (“HCUK”) is a leading financial services company established in 1982. We are made up of 5 Business Units:

1. Consumer Finance - the UK’s leading retail point of sale finance provider and has a significant presence in the personal loans sector.
2. Vehicle Solutions - one of the UK’s leading vehicle finance companies, operating over 81,000 assets, from cars, vans and HGVs to plant and machinery.
3. Business Finance - a leading provider of business asset finance to SMEs and larger corporations in the UK offering hire purchase, finance lease solutions, stocking and block discounting.
4. European Vendor Solutions - provides bespoke end-to-end vendor and channel finance solutions for the end users of Hitachi and Mitsubishi group companies and their distribution networks internationally.
5. Invoice Finance - provides cash flow solutions to clients across a wide range of sectors in the UK.

We continue to transform the company in response to the ever-changing commercial, customer and societal environment we operate in.

 Our vision “The trusted brand of financial services in the UK and across Europe”	 Our mission “Exceptional people, providing outstanding customer experiences today”	 Our values Namely, “Harmony”, “Sincerity” and “Pioneering Spirit”
---	---	--

We will continue to evolve to make a positive impact on society and the communities that we operate in, actively contributing towards achieving the UN Sustainable Development Goals.

Our strategic focus continues to be on sectors that have a positive impact on people and their lives. During 2019/20, we strengthened our focus on environmental agendas through our business propositions, and we’ll continue to enhance these contributions.

1.2 Hitachi Capital (UK) sustainability strategy

Our parent company has adopted the UN’s Sustainable Development Goals with the aim of solving social issues and achieving sustainable growth. HCUK has also committed to contribute towards this strategy.

To implement our Environmental, Social and Governance (“ESG”) strategy and targets, we have set up a Corporate Social Responsibility (“CSR”) Committee that meets on a quarterly basis. We have also committed to publishing an annual ESG report. CSR reporting is provided to our parent company on an annual basis and to HCUK’s Executive Committee when required.



Hybrid and electric vehicles

The net book value of “green” assets (electric vehicles, green energy, recycling & waste equipment, renewable energy, energy efficiency and rail) on our balance sheet was £153.9m as at the end of March 2020.

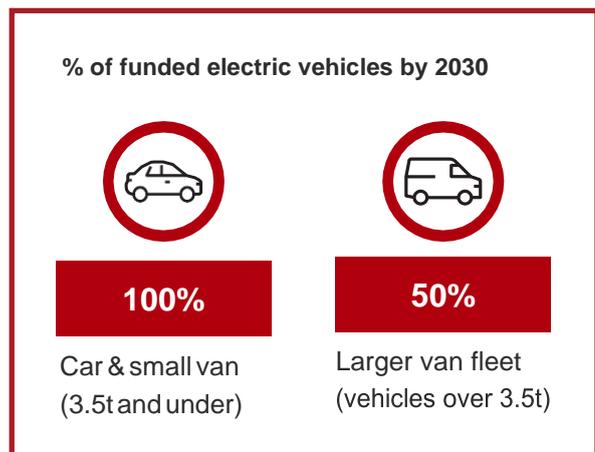
Our main impact on the environment emanates from the Vehicle Solutions business (“HCVS”). Here we currently operate over 81,000 assets, from cars, vans and heavy goods vehicles (“HGVs”) to plant and machinery. We are seeking to address this by becoming a market leader in the UK for electric vehicle adoption. Our vehicle business is responding with products and initiatives to support the UK’s goal of banning the sale of new petrol and diesel cars by 2030 and hybrid cars by 2035. This is evidenced by our ambitious targets to electrify the fleet. HCVS is committed to electrify 100% (62,500+) of the funded car & small van (3.5t and under) and 50% of funded larger van fleet (vehicles over 3.5t) by 2030.

In the financial year ending March 2020 the percentage of the fleet that were Battery-powered Electric Vehicles (BEV) was 1% (0.5% in March 2019). The percentage of the fleet comprising hybrid, including both plug-in (PHEV) & self-charging vehicles (HEV) was 4.9% in March 2020 and 4.4% in March 2019.

We updated our Group company car policy for employees in order to address our carbon impact. We introduced an Ultra-Low Emission Vehicles (ULEV) incentive scheme for cars below 75g/km CO2. In addition, we included a smart charging point within the car allowance so that employees could have a home charging point installed.

Vehicle charging stations

To support growing uptake in this segment we are partnering with GRIDSERVE - a cutting edge sustainable energy solutions company that focuses on projects around grid power, EV power and remote power. The partnership will see GRIDSERVE develop the UK’s most technically advanced hybrid solar farms, in conjunction with a new network of solar powered Electric Forecourts® to provide ultra-fast, dependable charging for all types of electric vehicles. The UK-wide network of over one hundred Electric Forecourts® will be delivered over the next five years. This will provide the backbone for not only the future of electric vehicle charging in the UK, but also the wider energy needs of the country, as we move towards the government’s target of producing net zero greenhouse gas emissions by 2050.



Buildings

All of our managed sites (Staines, Leeds, Newbury, Trowbridge and Telford) are supplied with electricity from renewable sources. Our operations in Amsterdam and Stokenchurch are currently run by Regus with electricity included in the rent.

In addition, the vehicle preparation centre located at Trowbridge generates a portion of its energy from 40 solar panels installed on the roof.

Employee volunteering

We continue to develop and maintain partnerships with national charity organisations that are addressing sustainable issues through special projects such as volunteering, and we are providing advice and guidance where we have expertise and skills.

Our employees are encouraged to spend one working day per year, fully paid, volunteering for a charity or other not-for-profit organisations. We've introduced a volunteering community, which is a group of employees at each of our offices providing support in arranging volunteering days. In addition, we have introduced a gifting volunteering leave scheme which enables unused volunteer leave to be utilised by other colleagues. Through those activities, our total volunteer days increased from 106 to 185 in 2019/20.

For more information on our CSR strategy please see our ESG report:
<https://www.hitachicapital.co.uk/about-us/corporate-social-responsibility/>

1.3 Rationale for green financing

At HCUK we intend to issue Green Finance Instruments to send a clear message to investors about our commitment and intention to meet our sustainability goals and accelerate the transition to low carbon transport. We also hope that the transparency of our Green Financing Framework will allow ESG-focused investors to take part in HCUK's fund-raising with confidence.

We also see this form of fundraising as additive to our client proposition. By combining green financing with our expertise in vehicle finance, we can help our customers to switch their commercial fleets to electric vehicles.

2.0 Green Financing Framework

In line with our ambition of providing low-carbon mobility solutions, HCUK has established this Green Financing Framework under which it intends to issue Green Finance Instruments (which may include, but is not limited to, bonds, including private placements, and loans) to finance and/or refinance assets within the 'Eligible Category of Clean Transportation'.

The HCUK Green Financing Framework is aligned with the ICMA "Green Bond Principles" as well as the LMA "Green Loan Principles", which provide guidelines in the form of four core components:



The HCUK Green Financing Framework also follows the recommendations of the ICMA Green Bond Principles regarding "External Review" (as set out in section 2.5).

Adoption of changes to the EU "Green Bond Standard" (EU -GBS) may be implemented in future versions of this framework. Any subsequent version of this framework will either keep or improve the stringency of the selection criteria and the current levels of transparency regarding project evaluation and selection process, management of proceeds and reporting requirements.

2.1 Use of proceeds

Use of proceeds alignment with HCUK strategy and institutional frameworks

GBP / GLP Eligible Category	Eligible Green Projects	HCUK's goals	UN SDGs alignment	EU Taxonomy alignment
Clean Transportation	Battery Electric Vehicles (provision of leases)	<p>Target 100% of car & small van (3.5t and under fleet by 2030)</p> <p>50% of funded larger van fleet (vehicles over 3.5t) by 2030</p>	 <p>SDG 11 – Sustainable Cities and Communities</p> <p>Subgoal 11.2 (sustainable transport systems)</p>	<p>Substantial contribution to Climate Change Mitigation: Increasing clean or climate neutral mobility (1.c)</p> <p>Selected economic activity: 6.5 Passenger cars and commercial vehicles</p>
Renewable Energy, Clean Transportation	<p>Hybrid Solar Farms</p> <p>Electric vehicle charging points, in particular the Electric Forecourts®</p>	<p>Rollout 100+ Electric Forecourts® across the UK by 2025, as part of GRIDSERVE partnership</p>	 <p>SDG 7 – Affordable and Clean Energy</p> <p>Subgoal: 7.2 (renewable energy in global energy mix)</p>	<p>Substantial contribution to Climate Change Mitigation: generating, transmitting, storing, distributing or using renewable energy (1.a)</p> <p>Selected economic activity: 4.1 Production of Electricity from Solar PV</p>

With regards to any leasing provisions or expenditures, we will adopt a lookback period of up to 36 months. For the avoidance of doubt, the reference date utilised is the date the lease was signed.

2.2 Process for project evaluation and selection

Description of the project evaluation and selection process:

The CSR Committee comprises the CEO as the Chair, General Manager CEO Office, HR Director, Legal Director, Head of Enterprise Risk and a representative from each Business Unit and certain support functions – including Treasury and Finance.

The CSR Committee meets at least quarterly to discuss CSR targets, agree activities to achieve these targets, ensure these programmes meet parent company and HCUK's mission, vision and values. The CSR Committee will also discuss the addition of any new categories of assets to be eligible for Green Financing.

2.3 Management of proceeds

The net proceeds of a HCUK Green Finance Instrument will be managed on a portfolio basis by HCUK Treasury, the centralised funding centre of HCUK.

The purchase of eligible vehicles by HCUK or any of its subsidiaries will be recorded and tracked centrally via internal reporting systems, in line with HCUK's periodic (monthly) reporting requirements. HCUK's CSR reporting team will validate the centrally reported purchases and allocate them to the proceeds of a HCUK Green Finance Instrument.

Oversight of the “Management of Proceeds” will be provided by HCUK’s Treasury team. The allocated and unallocated proceeds of any HCUK Green Finance Instrument will be reported to HCUK’s CSR Committee on a quarterly basis (£, %).

HCUK will strive to maintain a level of allocation for the eligible project portfolio which matches the balance of net proceeds from its outstanding Green Finance Instruments.

It is HCUK’s intention to ensure, on a best effort basis, that an amount equal to the net proceeds raised will be allocated to the acquisition of eligible assets within 24 months from the date of any HCUK Green Finance Instrument issuance.

Unallocated proceeds will be held at HCUK Treasury in cash or short-term investments or to repay maturing debt, in line with the risk appetite of HCUK. HCUK commits to not repaying debts that are linked to heavily polluting activities.

2.4 Reporting

In accordance with the ICMA Green Bond Principles, HCUK will keep green investors and other stakeholders updated on the allocation of proceeds and intends to communicate on the expected impact of the eligible projects.

HCUK intends to provide an annual update throughout the life of the HCUK Green Finance Instruments. It is expected that information on the “Allocation of Proceeds” and “Impact Reporting” (each as set out below) will be made available in such annual update.

Allocation report

Within the allocation report, HCUK will provide a breakdown on the allocation of the proceeds of the HCUK Green Finance Instruments to the purchase of eligible assets.

This breakdown will be separated into:

- Allocated Proceeds (% , £)
- Unallocated Proceeds (% , £)
- Amount or percentage of new financing and refinancing (% , £)

Impact report

The Impact report will be provided within the wider ESG report available on our website:

- A description of the Eligible Projects.
- Subject to the availability of suitable data, metrics regarding Eligible Projects’ environmental impact.
- On a best effort basis, HCUK intends to align the impact reporting with the portfolio approach table as described in the ICMA Handbook - Harmonized Framework for Impact Report (June 2019).

2.5 External review

This Green Financing Framework has been reviewed by Sustainalytics, whom have issued a Second Party Opinion. The Second Party Opinion is available on their website

<https://www.sustainalytics.com/sustainable-finance/wp-content/uploads/2021/03/Hitachi-Capital-UK-Green-Financing-Framework-Second-Party-Opinion.pdf>

Disclaimer

This document is intended to provide non-exhaustive, general information. This document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Hitachi Capital (UK) PLC and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Hitachi Capital (UK) PLC as to the fairness, accuracy, reasonableness or completeness of such information.

This document may contain statements about future events and expectations that are forward-looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the document. Hitachi Capital (UK) PLC has and undertakes no obligation to update, modify or amend this document, and the statements contained herein to reflect actual changes in assumptions or changes in factors affecting these statements or to otherwise notify any addressee if any information, opinion, projection, forecast or estimate set forth herein changes or subsequently becomes inaccurate.

This document is not intended to be and should not be construed as providing legal or financial advice. It does not constitute an offer or invitation to sell or any solicitation of any offer to subscribe for or purchase or a recommendation regarding any securities, nothing contained herein shall form the basis of any contract or commitment whatsoever and it has not been approved by any security regulatory authority.

This document does not purport to contain all of the information that an addressee may desire before making a decision about its investment. In all cases, addressees should conduct their own investigation and analysis. In particular, it is recommended for addressees to seek the advice of professional advisors or experts and to independently check tax, accounting, legal or regulatory or other implications.

The distribution of this document and of the information it contains may be subject to legal restrictions in some countries. Persons who might come into possession of it must enquire as to the existence of such restrictions and comply with them.

The information in this document has not been independently verified.

The addressee is solely liable for any use of the information contained herein and solely responsible for making its investments and other decisions. None of Hitachi Capital (UK) PLC or any of its affiliates, advisers or representations shall have any liability to any person for any loss or damages of any kind, whether in contract, tort or otherwise, including negligence, direct, indirect or consequential damages or otherwise, arising from the use of this document or the content herein, or otherwise arising in connection with this document. To the extent permitted by law, Hitachi Capital (UK) PLC excludes any liability howsoever arising from the contents of this document or for the consequences of any actions taken in reliance on this document or the content herein.